

UNITEDHEALTHCARE OF LOUISIANA, INC.

NOTES TO STATUTORY BASIS FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation — UnitedHealthcare of Louisiana, Inc. (the “Company”), licensed as a health maintenance organization (HMO) offers its enrollees a variety of managed care programs and products through contractual arrangements with health care providers. The Company is a wholly owned subsidiary of UnitedHealthcare, Inc. (UHC). UHC is a wholly owned subsidiary of UnitedHealthCare Services, Inc. (UHS), an HMO management corporation that provides services to the Company under the terms of a management agreement. UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated (UnitedHealth Group). UnitedHealth Group is a publicly held company trading on the New York Stock Exchange.

The Company was incorporated on April 9, 1986 as an HMO and operations commenced in November 1986. The Company is certified as an HMO by the Louisiana Department of Insurance (LADOI). The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees.

Financial Condition, Regulatory Matters, and Management’s Plan to Overcome Financial Challenges — Effective January 1, 2011, the Company’s largest customer, which represented approximately \$23,472,000 and \$23,381,000 of net premium income in 2010 and 2009, respectively, was not renewed. The Company’s experience with this customer for the year ended December 31, 2010, is a net underwriting loss before claims adjustment expenses and general administrative expenses of approximately \$2,827,000.

Management anticipates that the Company’s experience will improve significantly as a result of the conclusion of this contract. In addition, UnitedHealth Group has committed to fund the operations of the Company through capital infusions, as required, to ensure its functionality and capacity to meet its obligations, including minimum capital requirements, in the event operating losses continue. The Company received a \$6,000,000 capital infusion from UHC on January 20, 2010.

Basis of Presentation — The Company prepares its financial statements on the basis of accounting practices prescribed or permitted by the LADOI. These practices differ from accounting principles generally accepted in the United States of America (GAAP).

The more significant differences are as follows:

- Cash and short-term investments in the statutory basis financial statements represent cash balances and investments with original maturities of one year or less from the time of acquisition, whereas under GAAP, the corresponding caption of cash and short-term investments includes cash balances and investments that will mature in one year or less.
- Outstanding checks in excess of cash balances are required to be presented as cash overdrafts in the statutory basis statements of admitted assets, liabilities, and capital and surplus as opposed to being reflected as other liabilities under GAAP.

